

# CAN LOCAL GOVERNMENT SURVIVE?

LABOUR  
CO-ORDINATING  
COMMITTEE


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Local government is faced with an unprecedented crisis. This has built up over the last two decades, accelerated by the growing crisis of capitalism. Councils have simultaneously lost areas of responsibility, had more duties, standards and regulations imposed on them by central government, and come to depend more and more on government grants and loan sanctions. Now the whole structure is in danger of collapse due to the determination of the government to impose cuts at all costs—including the cost of sweeping away the last remnants of local autonomy.

In this pamphlet we focus on two areas. Firstly we look at the immediate battle to preserve local government from the Tory attacks. Secondly we ask how the local state might be run in a more socialist way in the future.

This pamphlet is based on individual contributions by Peter Hildrew, Alan Taylor, Alan Haworth, Mike Ward and Peter Hain, and was edited by Alan Taylor. It is published for discussion, and the views expressed are not necessarily the views of the Labour Co-ordinating Committee or all the individual authors.



# 1 WHY DEFEND LOCAL GOVERNMENT?

It is worth reminding ourselves how far over the years how much of our society has been taken out of the hands of private ownership and the market economy—in theory at least. Large chunks of our manufacturing industry, and our large public service sector, are under “public control”. We also have a not insignificant co-operative sector. Local government is one of the major elements in this non-capitalist sector.

In theory, our non-capitalist institutions should have as their prime aim the meeting of needs, rather than attempting to operate for the maximisation of short term profits. The Tories though are launching a systematic attack, designed to dismantle the public sector in part, and to force the remainder of it to operate even more according to capitalist principles. That is why public industries are being sold to the private sector, and why the remaining nationalised industries are being forced to operate along strict commercial lines.

The Tory attack on local government is following the same pattern. On the one hand they will be using the powers in the Local Government Act to force down council spending. This will cause a retreat from whole areas of public service. School meals seem to be favourite with Tory councils.

On the other hand, they will try to make councils run their services on a more commercial basis. Housing is the clearest case. They are attempting to force up rents so subsidies can be cut, to transfer the responsibility for maintenance to tenants, and to force councils to sell houses so that housing goes more to those who can afford to pay than to those in greatest need. Need is the key word which has provoked this onslaught on local government. Insofar as councils provide services to meet needs not met by market forces, local government is inherently progressive. The Tory attack is part of the attempt to shift any economic activity away from meeting needs, and instead devote it all to maximising profits.

Local government is also one of the cornerstones of traditional British democracy. Our democracy is already being encroached to a dangerous extent by the security services and by the lack of openness in government. If the Tories succeed in curbing local government, our democracy will have been eroded even more. There are two reasons why local government is essential to healthy democracy. The first is that it helps make local spending and the choice of local services accountable to a local electorate. It is clear that the Tories plan to remove the freedom of councils to set their own level of spending. It is also clear that they will have to dictate to councils which services should be cut in order to achieve this objective.

Local government is important to democracy for a second reason. It removes responsibility for large areas of the public services from Whitehall. Power is therefore distributed more widely than the central state machine and can be used as a counter-weight to corporatist tendencies. More and more decisions transferred to central ministries means these too become less accountable for two reasons. Firstly centralised decisions are easier to keep secret and secondly the sheer complexity and scale of the centralised ministries makes it far more difficult for ministers to be held accountable in Parliament. If the process of centralising power continues local accountability will be transferred away from councillors and eventually to the relevant minister *in theory*. In practice, of course, the process of accountability will get lost.

We are about to see central government assume responsibility for the volume of council spending. This will probably lead to central government intervening more deeply in the question of how local councils spend their money—in order to make the cuts stick. We are therefore about to see a major weakening of the ability of Parliament to call the bureaucracy to account for its actions.

This weakening of democracy contrasts sharply with Tory rhetoric about removing detailed ministerial supervision of councils. The apparent contradiction is the result of a coincidence of interest between the Civil Service which wants to curb local democracy, and the Tories who are mainly concerned to curb council spending. Their motives have come together in the Local Government Act.

Local government is capable of being used for socialist advance. It is essential if we value democracy. It is threatened by the interests of the profit motive and of the corporate state machine. That is why the defence of local government should matter to us.

This should not blind us to the fact that local government falls a long way short of being either genuinely socialist or genuinely democratic. To list just a few of its major deficiencies:

—services are commonly administered to people as individuals, rather than as communities. This leads to a feeling of isolation in the face of a large bureaucracy, and it inhibits opportunities for communities to discuss and assert common demands concerning the services.

—too many services involve means tests, often heavily overlapping, which reinforce the clients' feeling of powerlessness relative to the people administering the service, and the unwillingness of many people to claim the services or exemptions from charges to which they are entitled.

—too much of planning and industrial development comes down to abetting private capital to achieve its aims, rather than imposing community priorities on profit making activities.

—too many services, including education in many ways, recreate the inequalities which have been created by capitalism, rather than trying to counteract them.

—councillors are not able to devote sufficient time or expertise to the massive task of making the local bureaucracy genuinely accountable and responsive. This has been made worse by corporate management, the creation of larger local authorities, and the growing use of more hierarchical committee structures.

Local government as we know it today has grown up slowly and not to any ordered plan. Although the Labour Party has had its ideas on local government, the major stages in the development of local government have been initiated by governments of other parties, responding more often to the needs of capital than popular pressure. Yet now that the Tory government has launched a fundamental attack on the very existence of democratic local government, we are increasingly drawn to the realisation that local government *for all its weaknesses* is important to us because it is about provision for needs. The Tories have recognised this much more clearly than the Labour Party, and they intend to roll back the frontiers of the local state. It is our task as socialists to recognise the enormous importance of a democratic local state to everything we stand for, and to resist the Tories in every way we can.

# 2

# FIGHTING THE CUTS

One by one, councils which try to preserve their services are going to come up against the new Local Government Act. Because the government is assuming that councils should make cuts, any attempt even to preserve services, let alone expand them, will lead to a council being branded an "overspender". One by one, councils will find that it will no longer be practical to raise their rates to make up for any loss in government grant—since much of an increase in rates above the "overspender" threshold will simply be clawed back through a further reduction in grant. This has already happened to some councils. More will be caught next spring, and still more the year after. We cannot afford to sit and suffer the consequences of this. Apart from the destruction of vital services, the new Act goes a long way towards turning local government into a mere outpost of central government, rather than a democratic tier of government with a degree of independence, and accountable to its own electorate. It is no secret that the new powers were being pressed by the Civil Service long before Heseltine appeared on the scene. It's just that, in his eagerness to cut spending, he was the first minister to fall for their proposals. This article is concerned with how we can react when councils come into the "overspender" penalty box. There are a number of weapons which we can use to resist and discredit government policy. At the very least, we should fight and lose the battle in a way which mobilises public support and shows people clearly that the blame for cuts and the destruction of local democracy lies with the Tories. We may be able to go beyond this, and win the battle to an extent.

The first weapon to use is publicity and campaigning. This is especially important because the already growing volume of protest could make the Secretary of State think twice before using his new powers to the full. For instance, he might be forced to retreat by raising the "overspender" rate poundage substantially each year, so that it does not catch more and more councils as the years pass. But protest will not be enough, especially with a government as determined as this one. Additional weapons need to be examined.

## **Running A Deficit—The Legal Battle**

The simplest and most obvious way of marching towards an outright confrontation is to refuse to make cuts, refuse to raise rates above the overspender threshold, and so run a budget deficit. When a council gets to the point where the new Act prevents it from raising rates to preserve services, it could then continue to spend money on the services in the knowledge that there will not be enough income by the time the financial year draws to a close. This is the choice which will face many councils when they draw up their budgets in March 1981. During the year, the position would need to be monitored closely. As long as interest payments are assured, there is no reason why the loans on which a deficit is based should be called in. Reserves could be used up, and assets sold to minimise the deficit.

Council spending is difficult to predict. It is heavily concentrated at the end of the financial year. It would not be possible to tell for certain until the end of the year whether there had in fact been a deficit. Consequently, intervention by the District Auditor would be unlikely until the financial year had ended. Services would have been preserved for another year. Several councils have run deficits in this way in the past. The same is true of council jobs. They would be safe until legal action was taken and until the government appointed chief officers as administrators to make the cuts which the council had refused to make—and even then the cuts and job loss imposed would only be of the same scale as those the council had refused to make. Eventually the District Auditor would take action against the council, for failing to raise sufficient revenue to cover its expenditure. If the council did not withdraw, and satisfy the auditor that they were conforming to the law, councillors might then be surcharged.

A legal battle could be fought before surcharges were imposed, since the council could show that it had wanted to raise sufficient revenue, but had been prevented by the government. There is no legal power, even in the new Act, to order a council to make cuts, only a legal power to order it to raise the money to cover its expenditure. In this way, we could get into a stand-up fight and a protracted legal battle with the government. There is some chance of winning, though we will probably lose. There is every chance of preserving services for as long as possible, and for pinning public odium on the government. Councillors would not be surcharged as long as the council withdrew when it became clear it had lost the legal argument. Nor would jobs or services be in any greater danger than if the cuts had been implemented in the first place. It would then be necessary to use other weapons to carry the battle further.



## Relinquishing Office For Opposition

An alternative would be to get to the same point by going in to opposition at the point when the council is forced to choose between cuts and confrontation. Instead, a majority Labour Group could stay in opposition, and use its majority to vote cuts down. This would demonstrate even more clearly that it was the Conservatives locally and nationally who wanted cuts and who were willing to cut the autonomy of local government to achieve them. This argument has been set out in more detail by Eric Preston, in a pamphlet called *The Local Counter Attack*.

We would need very good connections with the town hall unions and the local community in order to ensure that we found out about cuts in services, or staffing, or failures to spend money allocated for services, and ensured that they came before the council. This is a tactic which could help generate real public commitment to the struggle.

This strategy runs the danger that a combination of a minority Tory administration and the chief officers might impose cuts in secret and through administrative action. A Labour Group would need to be very confident of its links with the town hall workers, and its sources of information, before it chose to stay in opposition.

The consequences of voting down cuts would be that a council would eventually come into the "overspender" bracket, and would eventually have a budget deficit. We would have reached the same point of confrontation as we reach through staying in power and opposing cuts. The difference might be a stronger groundswell of public opinion in our support. This might make it easier to continue the struggle in a different form after the government acted.

## Industrial Action

The most obvious way of continuing to resist the imposition of cuts is industrial action. Calls have recently been made for industrial action, including strikes, as the first stage of the battle. This was the line adopted at the conference called by Lambeth Council Labour Group on November 1st, 1980, which in our view generated more heat than light.

There are two central difficulties in such a strategy, particularly when it is advocated in isolation from the use of the other tactics which are available.

The first is that strikes will close down the very services which they are supposed to defend. Consequently strike action is unlikely to win widespread support among local government workers committed to the services they provide. However more positive forms of industrial action might win the support needed to make them effective. Staff who have been sacked could still be paid. Services which have been withdrawn could still be operated. Premises due for closure could be occupied. Staff could refuse to deal with government-appointed administrators. This may well lead to action

against individual council workers, which might in turn lead on to strike action if workers were sacked for resisting cuts. NUPE have produced an imaginative set of industrial action proposals for use against the cuts.

The second difficulty in placing reliance on industrial action as the first stage of our strategy is that in most places there will not be anything to act against until a council comes up against the "overspender" ceiling, and even then there may be no cuts or prospect of cuts for another year if the council avoids them by running a budget deficit. Workers are only likely to act under the threat of cuts. Ron Keating, the Assistant General Secretary of NUPE, made precisely this point at the Lambeth conference. He went on to add, "Yes, there is a war, but our members are not going to be kamikaze pilots."

This underlines the importance of councils and their workers acting together from the start. A council will need to make it clear that it either feels compelled to stay within the law and implement cuts when it reaches the "overspender" level, or else that it will run a deficit to resist cuts and run the risk of administrators imposing cuts at a later stage. It should explain that the cuts will be of the same order whichever course is followed. It could encourage its workers to prepare in advance for positive industrial action to keep services open when the cuts come—though it will be hard to do this if the council is failing to resist the cuts to the limit. In this way, industrial action could be an effective way of continuing the struggle.

Whilst it would be wrong to bow to ultra-leftist rhetoric on the immediate possibilities of massive industrial action, it would be equally wrong to duck the problem of leadership. Leadership from the unions at national level and from Labour Groups on councils could help build the militancy which is clearly absent at present, and help channel it in the most effective way.

To extend the struggle beyond the limited objective of defending local government, it would be necessary to build strong links with workers outside local government in order to broaden this battle out into a general war against the government. We would be foolish indeed to underestimate the difficulty of this.

## **Resign And Seek A Mandate**

When a council reaches the "overspender" ceiling, it could back down to avoid surcharge and the appointment of chief officers as government administrators to run the local authority. Or it could continue to resist, and could seek public backing for its fight in addition to encouraging industrial action among its employees. In May 1981 and May 1982 there will be local elections nearly everywhere—in 1981 for county councils and the GLC, and in 1982 for district councils and the London boroughs. It will probably not be until 1982 that we will be ready, in a large enough number of local authorities, to seek electoral backing for our fight to preserve the right of a local electorate to vote for socialist policies if it wishes, and to see those policies carried out.

1982 will be the right moment for the resignation of any of our councillors whose seats are not at stake—to turn the elections into a referendum on the right of Labour councils to implement democratically agreed socialist policies. We would need to make sure we fought every seat if possible, and we would need time for resignations and an election to take place before any substantial number of councillors had been surcharged or disqualified.

This would require co-ordination by the Labour Party nationally. Properly handled, with a national campaign, it could result in an electoral verdict against the policies of the government as a whole. This could immensely strengthen our resistance to cuts, whether through industrial action, deficits, or whatever.

## **Conclusion**

This will be a protracted struggle, in which we need to try to break Heseltine's nerve. No single tactic will do this. Using all of the weapons at our disposal, in the most effective way, and at the best time, and in the combination most suited to each area, could lead to a gradual government retreat turning eventually into a rout.

If the government is faced with a growing number of court battles, numerous councils in conflict with the District Auditor for running deficits, an electoral verdict against it, and industrial action keeping services open and preventing administrators implementing cuts—all building up over the next year or two—then it will find it hard to stick to its blinkered policy of dismantling local government in order to impose its monetarist policies.

# 3 ACCOUNTABILITY

If councils are reduced to outposts of central government, all scope for greater accountability of councillors to their local parties will have been removed. Councillors will, correctly, be able to tell their local parties that the decisions are really being made in Whitehall. However this is still vital and we must not let the demand for Labour council groups to be made more accountable to local parties become buried in the commotion over the party leadership.

Two resolutions and five amendments sent to annual conference on the subject were not taken and have been referred to the National Executive. Proposals put forward by the Organisation Committee last July and referred back by the NEC itself have still not reappeared. A key aim in this winter's discussions on local government must be to ensure that the NEC does act, and that it gets good advice. If necessary it should put its own proposals to the next annual conference for endorsement.

The Tory assault on local government has now brought it right to the centre of the political stage just at the time when the campaign for greater democracy within the party has pointed up the shortcomings in present structures. Councillors, of course, are no strangers to re-selection, and most Labour Groups operate a good deal more democratically than the PLP. The widening of the franchise for electing the national leader raises the issue of how local government leaders are chosen. All too often Labour Groups—especially when in control—have seen fit to abandon party policy and act as a law unto themselves.

The case of Manchester, where Labour has a large majority on the City Council, demonstrates what can go wrong under the present system. An elaborate structure including an annual election policy conference, a mid-year re-call conference, and a joint policy committee between the City (district) Labour Party and the Labour Group to thrash out differences has been blown apart by a fundamental disagreement over handling the cuts.

As a high-spending authority, Manchester was bound to suffer if it attempted to maintain the real level of services. To the disgust of the district party and a minority of Labour councillors, the majority of the group decided to knuckle under and make large budget cuts in defiance of party policy. Manchester now has the dubious distinction not just of avoiding a cut in its

Rate Support Grant, and of being commended by Heseltine himself for its "exceptional efforts" to reduce spending. The party is left only with the power to exact retribution in the selection process for the 1982 elections.

But this row, together with similar disputes in Bristol, Coventry and elsewhere, had one unexpected effect. When dissident councillors were expelled from Labour Groups for breaking the whip in opposition to cuts, they appealed to the NEC. To its credit the NEC reinstated them, in advance of the recent conference decision asking it to pull together opposition to the cuts.

Many NEC members realised in the process how little they knew about local government. Tony Benn was appalled to discover that the model standing orders for Labour Groups distinguish (Clauses 5a and 5b) between the election policy laid down by the appropriate local party body and the policy which the group in its wisdom subsequently decides to implement, implying from the outset that the two will be different. He framed some amendments which would put councillors under an obligation to implement election policy and allow the local party to elect the group leader.

These were approved by the Organisation Committee in July but it is important to understand what happened next. Alerted by the publicity, Labour's local government mandarins in the Association of Metropolitan Authorities mobilised an effective counter-attack and succeeded in having the proposals stalled at the full executive on the grounds that they were ill-thought-out, inoperable and lacking the wisdom of experience. The Organisation Committee is now supposed to be consulting the movement before bringing back new proposals, and since Labour Groups are bound to be consulted the establishment will be well placed to repeat its concerted opposition. It is vital to counter this with a flood of demands from districts and county Labour Parties and London Local Government Committees for reforms backed up by submissions from individual members and councillors.

Any changes should include the following:

- (1) Councillors to be bound, under group standing orders, to carry out both the manifesto commitments as drawn up by the local party and updated year by year, and also subsequent policy decisions laid down during the year by the party.
- (2) There must be a clear procedure for handling disagreements between party and group over policy implementation.
- (3) A wider franchise should be introduced for the annual election of the group leader, and perhaps committee chairpersons or shadow chairpersons.

- (4) Breaches of group standing orders should be referred to the party for any disciplinary action. Members must accept these rules in writing before they are admitted to the panel of endorsed candidates. They must *not*, as at present, undertake to the party to abide by the group whip even when it is being applied in defiance of party policy!

The 1980 Annual Conference resolutions submitted by Manchester Withington and Bradford North would give the party the final right to decide in the event of policy disagreements and also to choose the group leader. But it is always open to any Labour Group to "go it alone" in defiance of party policy, subject to the ultimate sanction of re-selection. The aim must be to build a consensus system which will limit this separatist tendency. This is unlikely to be achieved by placing the decisions in the hands of a body whose councillors are not necessarily represented when there is a dispute over the advisability or practicability of important policies.

With NEC agreement, Stirling District is already operating a different model in which disagreements are referred to a *joint* meeting of the party and group, and a similar joint meeting elects the group leader. Crucial debates thus take place in one forum rather than in party and group separately. The use of such a meeting to elect the leader parallels the electoral college principle being adopted at national level.

Whatever the system, there will be no change without concerted pressure from the NEC backed up at local level by determined party action to screen candidates and insist on greater accountability from councillors elected in future. Local government must be a political instrument, not a managerial exercise, and never more so than in present circumstances.

# 4 PARTICIPATION AND POWER

Public participation clearly ought to be at the heart of any socialist system of local government. The principle that citizens ought to have as direct a say as possible in decisions which affect them is a key socialist one, even if Labour local authorities—often those on the right—have shown no interest in implementing it.

Indeed it is possible to explain the erosion of working class support in some Labour heartlands—East London or Liverpool for example—partly in terms of a failure to listen to the views of local people and to involve them in the political process. All too often Labour councils have been indistinguishable from Tory ones: remote bureaucracies run by an elite incapable of responding to democratic feelings. People generally have a very low opinion of local councillors.

Significantly, the growth of alternative forms of community politics—neighbourhood councils, community action, welfare groups, single issue campaigns—has challenged not only the priorities and spending of local councils, but the very style of politics practised by the Labour Party. Such groups, though sometimes transient and now suffering from the cuts, have offered people an opportunity to become involved in the politics of their area in a way that the Labour Party has sadly been unable to do. We have a great deal to learn from them, as was pointed out in the last issue of *Labour Activists*.

Equally however it is important to be aware of the inadequacy of the nature of the participation fostered by successive Labour governments at local and national level. For although the rhetoric of participation implies a radical re-distribution of power from the governors to the governed, in practice this has not been the case.

Instead, the general thrust of the participation officially sponsored by government from the late 1960s to the late 1970s, has been to *increase* the state's capacity for social regulation and control.

Whether in the field of town and country planning, social services, housing, race relations, poverty or consumer advice, we saw in the past decade sponsorship of a series of official participation programmes. Interpreted at the time as a more liberal approach and therefore welcomed, the record shows that

they enabled the tottering system of representative democracy to obtain a new lease of life. As a new study has shown,\* participation used to bolster the existing system, not to extend democracy in any meaningful way.

Thus Labour councils, where they endorsed participation at all, practised a form of "pseudo participation", involving citizens in order to secure greater legitimacy for policies which may have been altered marginally in the process, but which remained fundamentally the same. The local state has moved into participation programmes as part of its attempt to manage the urban process, in a rather similar fashion to the way the national state has sought to manage the economy by absorbing trade unions and other interests groups. This is confirmed by the experience of Wandsworth Council, which made a major effort when it was Labour controlled, to involve the public in planning. The reality was that the system was administered by officers, and used by them to secure legitimacy for plans with maybe some minor modifications. The local community found that it only had power to modify council policies when it abandoned "participation", and reverted to direct political action.

The participation offered to date has not challenged the existing system of property relations and financial interests, even though it has rubbed up against the traditional paternalism of council officials. Partly this is because it has not had a socialist perspective. Neither community activists nor well intentioned Labour councillors have seen the battle for greater participation as being linked into wider struggles of the labour movement. For it is necessary to see demands for public participation in terms of a *political strategy* rather than socialism expressed in a set of *structures*. There is an apparent inevitability in community initiative being either neutralised by the dead hand of official bureaucracy or co-opted into the system, if the emphasis remains (as it has been for even progressive Labour councils) to think in terms of formal and structured arenas for participation.

What we ought to be helping to build is a movement from below that fights for its rights and for a share of the resources and power denied to the working class. The exact form such struggle will take will depend on the specific circumstances involved. But the common thread should be a response from the Labour Party and the trade unions that enables neighbourhood participation initiatives to be fused with the politics of the wider labour movement.

That in turn will require a basic change in *our* politics, campaigning actively alongside community groups or pressure groups, and allowing them to intervene in local parties so that their demands can be pressed through to Labour Groups on councils. This should be encouraged whether or not we are in power. Too often, Labour Parties have been sympathetic to community groups in the run-up to a local council election, only to turn on them when in office, on the ground that they are not being 'constructive' or are insufficiently aware of 'financial constraints'.

\* *Neighbourhood Participation*, Peter Hain, Maurice Temple Smith.



So we need to be organising alongside tenants associations. We should fight for tenants control whilst in opposition and implement it whilst in office. We should encourage community groups and street committees, neighbourhood councils, and cooperatives, support struggles for workers control, and devolve real power, not just the trappings of it to the ordinary citizen.

Above all, the Labour left in its activity around local government must fight for a decentralised concept of socialism, ridding the Party of its statist image and thereby convincing our people that socialism is emphatically not about intransigent and centralised officialdom, but is about giving people real power to manage their own affairs.

# 5

# FINANCE IN THE FUTURE

The present crisis in local government is the natural consequence of the long term increase in central government grant aid to councils. Sooner or later central government was bound to use its growing power over council finance to crack the whip, and impose corporate state values over any attempt to assert local priorities. The Civil Service has been longing to do this for years. Now they have found a minister who will let them do it.

Although increased government grants have led to increased council spending, they have enabled the government to control council spending so that it has now begun to fall as a *proportion* of total government spending. Increasing government control of council spending has been used to redistribute spending power away from councils and towards central government.

Increased government grants enabled council spending to rise from around 30% of government spending in the late 1950s to 40% in the mid-1970s. Since then, the Whitehall whip has been cracked. Council spending fell from 43% of government spending in 1974-5 to 37½% in 1976-7, and has continued to fall since. At this rate, 20 years of expansion will have been reversed by the time the next election comes.

It seemed so painless to push up spending through increased grants. Now we find that we were living in a fool's paradise. When total spending began to be restrained, and then cut, Whitehall was able to use its increased power over council spending to ensure that councils shouldered a disproportionate share of the burden.

We can now see that increased government grants were doubly damaging. They have been accompanied by increasingly detailed central supervision of council spending. They have also proved to be an unsound basis for the steady increase in local public spending which we need. Dependence on government grants was made more attractive by the unpopularity of the independent tax base of councils—the rates. They now make up only a quarter of council income. Over 60% of council current spending has come from government grants, which is well up on the level prior to 1974 in spite of Tory cut backs. Capital spending comes largely through government sanctions for borrowing.

Yet rates remain greatly resented as an inequitable tax—at least among

assign residential codes to all of them. All local taxes draw on a tax base which relates to people's ability and willingness to pay. This in turn relates to their incomes and, with non-domestic rates, to the profits of businesses, so the tax base of different councils will vary widely under any system. Consequently the income which can be raised in different places will always differ considerably. An equalisation system of government grants, with a distribution formula, will always be needed to cope with this problem. The problem is, how to increase the direct tax take of councils so that the percentage of council spending which comes from grants can be minimised.

We could plan for the introduction of local income tax at a point in the late 1980s. At that point the national take from income tax would need to be cut so that the total tax burden did not increase. Alternatively domestic rates might be cut or abolished, and business rates raised while other taxes on businesses were cut. Councils would then receive a higher proportion of their income from their own tax base and their level of grant could be cut.

It is difficult to see an alternative to this long term approach. One suggestion is that local government should be 'assigned' the revenue of a tax such as VAT. This would not increase local autonomy. Central government would still set the overall level of the tax, and so the overall level of council spending. A distribution formula would be needed, and councils would be totally dependent on this.

In the absence of easy answers to these problems, we are compelled to look at:

- ways of making rates a normal tax, rather than a tax which is collected in an unnecessarily painful way, so enabling councils to raise rates to compensate for a gradual reduction in rate support grant;

- scrapping the new block grant system, and introducing instead a steeply progressive system of government equalisation so that rates become a more progressive tax;

- in the longer term the introduction of local income tax as a supplement to rates, or as a replacement for domestic rates.

This will enable Labour councils to experiment and expand services to meet local needs. It will enable non-Labour councils to respond to local pressure to provide services. For every complaint against the rates, there are 10 demands for additional services.

In the past, council spending has increased because the growing size of government grant aid has made it easier to expand council spending without imposing huge rate increases. We are now suffering the consequences of our dependence on government grants, and we can see that it was a short

owner occupiers and some private tenants who pay them in one or two big lump sums. It is important to consider whether rates can be made into a more acceptable tax, which could provide a basis for increased council spending.

*Within* one local authority area, higher income households generally pay most in rates. Bigger houses have higher ratable values, and people on low incomes can obtain rate rebates. Even so, low income households can still end up paying the highest proportion of their income in rates, if they do not claim rebates. However, the lack of equity in rates is mainly *between* council areas. Less prosperous areas generally need higher spending on services, and consequently have higher rates. As a result, a lower income household with a smaller home in an inner city area can pay more in rates than a high income household with a big suburban house. The inequity of rates is largely the result of the failure to establish an adequate equalisation system, and it is not primarily inherent in rates as a tax. In any case, rates are meant to be a tax on consumption (of property), not on income.

Even though rates are not liked, we must have independent sources of local government finance if councils are to be able to spend in the way and to the extent that is required to meet local needs. Independent finance is essential if councillors are to be really accountable to their electorates for the actions they take, rather than mere apologists for actions dictated by central government.

Heavy reliance on government grants will leave too much power in Whitehall's hands. An agreed distribution formula can lead to a degree of local autonomy. However, the history of rate support grant is an unhappy one. The formula has been buffeted first one way and then the other by political considerations, leaving councils to cope with sudden cuts or gluts in funds. It is unlikely that a formula can be devised which will really satisfy everyone, so it will always be open to revision and amendment—and that means that some power will stay in the hands of central government. Since we do need an equalisation system, we should minimise its side effects by restricting it to a smaller proportion of council spending than is the case at present. An independent source of finance, and a reduction in government grant support are essential if we are serious about the restoration of an adequate degree of local autonomy. Rates are painful, partly because they are not equitable, partly because many ratepayers are confronted with them in the form of one or two large bills. The second problem can be tackled, through a general switch to a monthly standing order or post office payment system. This would do wonders to reduce the political sensitivity of rate increases.

The problem of equity crops up with any system of local taxation, whether it is based on rates, or on local income tax. Local income tax is a long term alternative only, since it could not be introduced for at least five years. It will be necessary first to computerise Inland Revenue records, and

sighted way of expanding local public spending.

Restoring greater local autonomy would enable people to raise demands for better services more effectively. It will lead to money being spent differently. It will enable councils to increase the total level of their spending if they wish. If we want to reverse the shift of government spending away from locally accountable services, then restoring an independent tax base is the first necessary step. This will enable a council to implement a manifesto which is based on different values about the level and type of services from those set by the centralised state.

Council dependence on government grants may have enabled central government to crack the whip, but we should not forget that it is the economic crisis which has provided it with arguments to justify cuts. The other pre-condition to effective decentralisation is the introduction of economic policies which are based on the expansion of public spending, in place of policies which depend on cutting spending back.

No attempt has been made here to tackle the issue of central control over council policy, as opposed to council spending, except to note that control over spending has led on to control over policy as a way of making spending controls effective. Would we, for example, impose comprehensive education? Would we allow districts to ignore the housing needs of their young working class households as many now do? Would we allow councils to charge old people on supplementary benefit for their home helps? This question requires extensive debate before we can begin to strike the right balance between central control and local autonomy.

# 6 WHAT KIND OF LOCAL GOVERNMENT?

Local government occupies a great deal of time in the Labour Party. When we are not contesting elections, we are getting ready to contest elections, or selecting candidates, or writing policies, or raising money. Often active party members virtually disappear from sight as leading councillors or committee chairpeople. For those involved the activity can become so frenetic as to leave little time for any discussion of its purpose.

Yet it seems that the fundamental question we should ask about anything that occupies so much time is simply this: how does this activity build socialism? Why in the Labour Party do we devote so much time to local government? Would not the energy and enthusiasm be better employed making propaganda, or supporting trades unionists in struggle? Does membership of the local council help or hinder shifting the balance of wealth and power? What is the potential of local government?

One of the problems is that we operate in a permanent theoretical fog. What is the nature of these institutions we try to control? To slightly caricature two views that are held: it is as unsatisfactory to see local government as an undifferentiated part of the state, like the police or the armed forces or the Civil Service, intrinsically hostile and potentially oppressive, as it is to hold the sort of naive populist faith that sees a council with left wing members as some sort of reincarnation of the Paris Commune. Instead, the starting point must be the historical and political context in which we work. The institutions of local government are not ideal or abstract creations. They are shaped by the economic and ideological forces which have shaped society, and are subject to its strains and contradictions. The cities and communities we live in take the forms they do because of two hundred years of capitalist development. The Benwell CDP in their pamphlet *The Making of a Ruling Class* show the lasting and pervasive effects of the process of accumulation on the communities of Tyneside, and the ways in which a small group continue to benefit from that process. In London, the needs and demands of capital

determined the division of the city into sharply divided rich and poor communities. London politics remain polarised between the needs of the inner boroughs and the resources of the suburbs.

In contrast to these capitalist priorities for urban life, there is a need to provide collective services—services which cannot ‘run at a profit’—which are inherently opposed to that way of organising society. The local government institutions we have today are the outcome of a series of administrative attempts to come to grips with the problems brought about by large agglomerations of people.

Although local government can only be seen as part of a society divided into classes with opposing interests, the left has an important revolutionary inheritance in municipal politics. Stripped of naive utopianism, the potential of local government as an engine of radical change is tremendous, especially recognising the strength of our antecedents. The Fabians have benefitted from excellent retrospective public relations for their limited contribution to the early years of democratic local government in this country—but it is to the Marxists of the Social Democratic Federation, and the left socialists of the Independent Labour Party that credit is due for the major advances. It was the ILP which in Bradford introduced school meals at the turn of the century. It was SDFers in London who led the fight for direct labour in the 1890s. In 1919 the Labour Party fought the LCC elections on a platform of the municipal ownership of trade union food stuffs and other commodities. Local government can be a weapon for resistance and struggle. There is a clear line of campaign from Poplar and St Pancras, through the Housing Finance Act, the fight of Clay Cross, to today’s struggle.

No Labour council will wish to assume office, or to remain in office, solely in order to carry out the policies of the present government. But how, in the present situation, are we to build on the tradition of resistance? Too often, parties and Labour Groups measure the achievement of committee chairpersons solely by the amount of time they spend in council offices in private meetings with their officials. Increasingly the job of elected representatives is going to be to campaign. It is necessary to reorganise council business so that councillors can spend at least as much time explaining and arguing for their policies within the party and the community as they do on administration. This means Labour Groups operating in new ways—and not neglecting the political education and development of their own members.

Simply campaigning, however, will not guarantee public support. Not everything done by local councils is always very popular. It is essential for the labour movement to rise above a mere defence of the actions of the local bureaucracy.

Without compromising the right of local parties to set policy for their councillors, and to hold them accountable, the party would gain considerably from adopting a Minimum Programme for local government: a short set

of proposals, on which we would campaign all over the country, as a basis for local election manifestos. Not all the basic pledges need to be expensive. Some might even involve spending less. But the adoption of a Minimum Programme would help to identify the party clearly in the eyes of the electorate with a set of straightforward everyday principles.

The elements of such a programme might include:

- (1) Public Transport as a social service—fares set at levels low enough to attract car users back to public transport.
- (2) Clean Administration—a commitment to root out, not just corruption, but favouritism, discrimination, rudeness and delays.
- (3) Decent low rent housing—with greater control by tenants.
- (4) No prestige projects—some councils have been compulsive would-be builders of follies.
- (5) An end to means testing—many councils operate a multiplicity of different income scales for various services.
- (6) No municipal junketting—councillors are elected to do a job of work, not to hold receptions, not to be driven around in limousines.
- (7) Public industrial development—the use of council powers and resources to attack unemployment by creating new jobs.
- (8) Equal opportunities—positive discrimination in favour of women and ethnic minorities in council employment.
- (9) The expansion of free day care for pre-school children.
- (10) No staff redundancies, not cuts in services.
- (11) The defence of comprehensive education.

Two of these elements—positive discrimination, and the extension of free day care—come from the demands of the women's movement. Simply committing the Labour Party to the support of feminist demands is not enough. If the party takes to heart the lessons of the women's movement, not just on policies and specific measures, but also on ways of working and methods of organisation, then local democracy can have an important part in the reconstruction of the vision of socialism for which many socialist feminists have been arguing.



It is also necessary for the Labour Party to come to terms with the environmentalist movement. Without a socialist analysis it points nowhere. It is inadequate to point to the waste of natural resources, or the destruction of old buildings, and simply to say 'how strange' or 'how wrong'. Capitalism does not merely encourage waste, it depends on that waste. In the end, the insights of the ecologists must lead to a socialist view of the way in which society is organised.

A Labour council has to work with the labour movement. Probably this is the hardest, the most controversial, and yet the most vital way in which local government can be used to build socialism. Labour councils cannot be something apart from the struggles of working people, a sort of gentle, apolitical backwater. Unless we can mobilise the support of organised labour behind the right to democratic self government, we run the risk of losing those rights. It is therefore time to consider how Labour councillors should work alongside the rest of the labour movement on a wider range of issues.

It should not be forgotten that much so-called employment activity by local councils consists simply in offering inducements to private firms—without regard for the quality of the jobs produced. Planning departments have often assisted commercial redevelopment schemes to the detriment of the local community and the considerable benefit of the developer. John Benington's study of the West Midlands, *Local Government Becomes Big Business*, revealed a symbiotic relationship between local government and capital. The task of the labour movement in control of local councils must be to throw that whole process into reverse, and to intervene on behalf of labour at least as decisively as past councils have intervened on behalf of capital. Examples of this are the assistance given to the Vickers shop stewards committee by local government in the struggle over Scotswood. Another is local government support for trades union resources centres.

Bologna has been under joint communist and socialist control for many years: and the city council has consistently intervened in industrial disputes on the side of the workers. Not only are demonstrations by strikers normally supported with a declaration of solidarity by the Mayor, the council also undertakes research on the background to the dispute and officially criticises obstinate employers. From this experience of co-operation there has developed among trades unionists a view that business interests should make a greater contribution to the cost of essential services in the city—such as public transport and day care for children. Accordingly, they have successfully incorporated into annual wage demands the demand for a substantial additional contribution towards the cost of providing these services. We have a long way to go till we reach this point in Britain, but the potential and necessity for examining a more explicitly socialist way of running local government are there.

We will face a campaign of distortion in the press when we try to assert

socialist policies for local government. This is already being seen in London, where the party has adopted a radical manifesto. We should be encouraged by this, since it is a reflection of the fear of our opponents that whole-hearted municipal socialism could dispel much of the cynicism with which people regard local politicians of all parties.

## **We're fighting to defend the public services**

If you want information or help in your local campaign against public service cuts, or you want to help us in ours, contact your local NUPE office.

### **SOUTHERN & EASTERN**

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**GREATER LONDON.** London Boroughs South of the Thames. Divisional Officer: Mr H Barker - 13-15 Stockwell Road, Stockwell, London, SW9 9AT. Tel: 01-737 2011.

London Boroughs North of the Thames. Asst. Div. Officer: Mr G Eastwood - Britannia House, 960 High Road, North Finchley, London, N12. Tel: 01-446 0061.

### **SOUTH WESTERN.** Divisional Officer:

Mr F Huff - 853 Fishponds Road, Fishponds, Bristol, BS16 2LG. Tel: 0272-656081.

Hampshire, Isle of Wight, Dorset. Asst. Div. Officer: Mr P Dunn - 93 Leigh Road, Eastleigh, Hants. Tel: 0703-611551.

### **N. IRELAND.**

Officer in charge:

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### **SCOTTISH.**

Divisional Officer: Mr R Curran - 18 Albany Street, Edinburgh, EH1 3TB. Tel: 031-556 0922.

### **NORTHERN.** Divisional Officer:

Mr L Sawyer - Southend, Fernwood Road, Jesmond, Newcastle-upon-Tyne, NE2 1TH. Tel: 0632-814217.

**NORTH WESTERN.** Divisional Officer: Mr C Barnett - 222 Stamford Street, Ashton-under-Lyne, Lancs, OL6 7SS. Tel: 061-308 2821.

**NORTH EASTERN.** Divisional Officer: Mr W Gregory - Blackgates House, Bradford Road, Tingley, Wakefield, Yorks, WF3 1SD. Tel: 0532-537654.

### **WEST MIDLANDS.**

Divisional Officer: Mr B Shuttleworth - Monaco House, Bristol Street, Birmingham, B5 7AS. Tel: 021-622 6221.

### **EAST MIDLANDS.**

Divisional Officer: Mr N Wright - 6 Sherwood Rise, Nottingham, NG7 6JS. Tel: 0602-603522.

## **National Union of Public Employees**

# 7

# LOCAL ECONOMIC PLANNING

Labour councils, facing the rising tide of unemployment, are turning their attention to local economic planning. In October 1980 the London Labour Party approved a bold set of manifesto policies for the 1981 GLC elections, aimed at tackling London's growing economic problems.

There is a desperate feeling that we have simply got to do *something* to tackle local economic problems. In this atmosphere, there is a great danger that councils will fail to make a thorough and critical examination of their economic policies. There is also a danger that they will over estimate the potential impact of their work. They ought to be asking themselves whether their policies are helping to build a more secure local economy, or whether they are merely aiding private capital to achieve its objectives. This critical attitude is especially important since the Tories are beginning to treat local economic planning as a waste of time. This explains their willingness to pull out the plug on numerous creative projects to counter unemployment by withdrawing finance from inner city partnership areas.

In simple terms, their argument is that local economic planning does not add to the level of aggregate demand in the economy. It takes money out of the economy in the form of rates, or government grants funded from other taxes. It then puts the money back into the economy through investment in infra-structure and premises, or through grants, loans, and advice. So where is the net benefit? It can be argued that local economic planning does not create any extra wealth, so why bother?

That is a capitalist view on the subject. If all we are concerned about is the aggregate level of economic activity, and the level of profit, then local economic planning certainly does not help, and it may even hinder the freedom of capitalists to earn the maximum profit. But we as socialists are concerned centrally with the form which economic activity takes, not just with how much there is. We are concerned with having an economy which produces jobs for all, not just wealth for the few, and worthwhile jobs at that. We are concerned with what is produced, not just how much—with production for use, rather than for profit.

Having said that, we should also be clear that local economic planning is a marginal activity. It depends heavily on checking and channelling private initiatives. If the economy is depressed, the potential impact of local planning will be severely limited. To have a major impact, local planning depends on restoring the national economy to health. The implementation of the Alternative Economic Strategy, for example, will allow much scope for local initiative. Restoration of the cuts and deflation will require careful planning to ensure that the money is spent in furthering Labour's aims. There is an important debate about how local planning can fit into the national and regional dimensions of the AES.

The Tories may be correct to argue that local action cannot add up to a stimulus to the national economy. They are wrong to argue that local economic planning is a waste of time even in the present state of economic recession. There are three objectives towards which it can begin to contribute. The first is to help improve the number and quality of jobs achieved from each pound invested. The second is to help ensure that the goods and services which are produced contribute towards meeting people's needs. The third is to tackle the flows of wealth in and out of the local economy, in order to help build a local economy which is less exposed to the whims of the multi-national corporations.

The number and quality of jobs can be affected by using and extending many of the familiar instruments of local planning. Providing new, repaired or rehabilitated premises, and helping to ease site problems, can help firms to stay or to start up in an area. Conditions can be attached to the sale, lease, or rent of premises, regarding working conditions and union rates of pay. The same applies to loans and grants made under the Inner Urban Areas Act or the Local Government Act 1978, and equity investment in firms. Councils should be willing to insist on conditions to aid, and avoid the temptation to hand out unconditional aid in their eagerness to attract any old jobs to their area.

This type of work will be most effective at times, and in places, where there is a steady demand from private firms to operate in the area of the local authority concerned. This attempt to affect the quality of investment, and to reduce the social cost it imposes, will be most successful in the context of national economic policies which restore the economy to health. It is harder to affect what is produced. In theory this might be done by a council working out which new industries it would like to see established and helping to set them up. For instance, a council which wanted to develop 'intermediate technology' industries to provide manual jobs—like local production of bread or beer, or one-off products like furniture for the disabled—could help provide premises and capital to get these industries going.

\* The Alternative Economic Strategy is set out in *There IS an Alternative—Policies for Prosperity in the Eighties*, LCC (50p post free) and *The Alternative Economic Strategy—A Labour Movement Response to the Economic Crisis*, by the London CSE working group jointly published by LCC and CSE books.

The problem is that a council's judgement about what is likely to work will often be wrong. There have already been several disastrous experiences of a local authority or other 'outside' body suggesting a product which people might like to make in a co-op. These co-ops have generally collapsed. The people working in them have not been sufficiently committed to what they were doing. The business ideas were worked out too much in the abstract, and not grounded securely in a full understanding of what works and what is practical in the local area.

So we should beware a too centralised approach. Rather than the council working out product ideas, it should provide facilities for local people to work them out—facilities for product design, the production of prototypes, and for market research. In this way, local people can be enabled to work their own ideas for socially useful products or services up into practical business propositions.

This work is less dependent on national policies, since it amounts to an attempt to provide the facilities and expertise to enable people to do things which they *cannot* do unaided—however booming the economy might be.

A council can also act to affect the flow of wealth in and out of its area. In the short term, there is the familiar type of work to attract new private investment, and to encourage firms to stay. In the light of experience so far, councils would be well advised to examine their work carefully and critically. Too often there are costs and dis-benefits which cancel out the gains. Helping firms to stay, especially in inner city areas, may be more valuable than attracting new, and possibly inappropriate firms in.

To have a more long term direct effect on the flow of investment, councils can encourage workers co-ops—either started as new firms, or formed through workers' takeovers. They are likely to stay in their place of origin, and to keep their profits circulating in that place. They are locally controlled, and cannot be taken over or asset stripped. They are therefore directly relevant to the long term attempt to build a more secure local economy. Municipal enterprise, local planning agreements with private firms, and a variety of forms of community enterprise can also be used to help build an economy which is under local democratic control to a greater extent. Councils could also tackle the flow of savings. Too often, the savings of people in depressed areas are flowing out through the financial institutions for investment in other places. A council can help set up Credit Unions, which block the flow of money to hire purchase firms and money lenders, or genuinely democratic building societies which would keep money for housing investment in the local area and use it differently from conventional building societies.

This action on the flow of wealth into and out of the local economy depends in part on the health of the national economy—for instance in attempts to affect the investment decision of private firms. Work on locally socially controlled enterprise, and on savings, where work may be most useful during periods of depression.

There is a tendency to think all local economic planning must be good, because it is relevant to tackling unemployment. This is not true. Too much of it reduces to aiding capital to achieve its objective of higher profits. If however we take a tougher and more critical attitude, and limit ourselves to trying to affect the number and quality of jobs produced for each pound invested, to affecting what is produced, and to stemming flows of profit and investment out of the local economy—then we will be doing invaluable work, which will genuinely contribute towards building a more socialist economy.

The scale of the impact of local economic planning is at present severely restricted by the limited funds available and by this limited ability of councils to affect the decisions of private firms at a time of recession. Nevertheless, we have established a useful bridgehead, which can be expanded in the future as the political importance of restructuring the local economy becomes more widely accepted.

# 8 CONCLUSION

Local government is important to socialism. It is one mechanism through which it is possible to assert values based on social needs, as a counter to values based on profit or on the interests of the corporate state.

The left has neglected local government, and it is largely the preserve of people with a less political view of society. Even where people on the left have gone into local government, they have found it a de-politicising experience.\* The combined pressure on left councillors from the lack of a secure financial base dependence on government grants, increasing government supervision, and the professionalism of their own officers, have often reduced them to the level of people they formerly criticised.

For these reasons, the left needs to develop a clearer strategy on which to base its involvement in local government, both as a basis for resisting cuts, and as a basis for longer term advance.

Some of the major issues which we need to face include:

—How to reconcile the need for sufficient financial independence from central government (essential if we are to be able to implement our manifestos) with our wish to see policies on subjects such as comprehensive education implemented throughout the country.

—How to build stronger and more fruitful links of accountability between Labour Groups and their local parties.

—How to run local services so that they are sensitive to local needs, and enable their users to work out and express their demands on these services collectively.

—How to avoid councils becoming the handmaiden of local capital, and instead give them the powers to control and channel investment in order to construct a more sound local economy.

—How to persuade the Labour Party to take a national lead on local government issues, without compromising the independence of local parties and councils.

\* See for instance *Taking Local Decisions*, Murgatroyd, Rees and Allen, ILP.

**—How to open up councils to real participation, so that a council recognises that its power will be enhanced rather than diminished by real public involvement in the administration of policies and services.**

We have been deliberately provocative in this pamphlet, and the views expressed are not intended as immutable conclusions. Our aim is to stimulate the debate which is so badly needed.



### **ABOUT THE LABOUR CO-ORDINATING COMMITTEE**

The Labour Co-ordinating Committee was established in 1978 by a group of Labour Party workers, trade unionists and MPs to link up left activists in the Party. Since then it has organised a series of conferences, publications and produced a broadsheet *Labour Activists*. In particular campaigning for the democratisation of the Labour Party and promoting the Alternative Economic Strategy have been major priorities. Membership is open to all Labour Party members and more details can be obtained from Nigel Stanley, LCC, 9 Poland Street, London W1.

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